

Quincy Community Schools

Single Audit Report

Year Ended June 30, 2008

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**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Board of Education
Quincy Community Schools
Quincy, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Quincy Community Schools as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 24, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Quincy Community Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control over financial reporting. We consider the deficiency described as Findings 2008-1 in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Board of Education
Quincy Community Schools
Quincy, Michigan

Internal Control Over Financial Reporting (Continued)

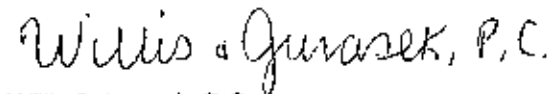
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Quincy Community Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended for the information of the Board of Education, management and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.


Willis & Jurasek, P.C.

September 24, 2008



**Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control
Over Compliance in Accordance with OMB Circular A-133**

Board of Education
Quincy Community Schools
Quincy, Michigan

Compliance

We have audited the compliance of Quincy Community Schools with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Quincy Community Schools' major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Quincy Community Schools' management. Our responsibility is to express an opinion on Quincy Community Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Quincy Community Schools' compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Quincy Community Schools' compliance with those requirements.

In our opinion, Quincy Community Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Quincy Community Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Quincy Community Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

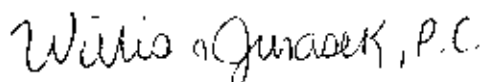
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Quincy Community Schools as of and for the year ended June 30, 2008, and have issued our report thereon dated September 24, 2008. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the Schools' basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, management and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Willis & Jurasek, P.C.

September 24, 2008

Quincy Community Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

Federal Grantor Pass Through Grantor Program Title/Grantor's Number U.S. Department of Agriculture	Federal CFDA Number	Award/Grant Entitlement Program Amount	Accrued (Deferred) Revenue 7/1/2007	Prior Year Expenditures	Adjustments Prior Years	Current Year Cash Payment Received	Current Year Expenditures	Accrued (Deferred) Revenue 6/30/2008
Child Nutrition Cluster:								
Passed through MI Department of Education:								
National School Lunch Program								
Sec. 4 - All (2006/2007)	10.555	\$ 26,437	\$ 4,440	\$ 26,437	\$ -	\$ 4,440	\$ -	\$ -
Sec. 4 - All (2007/2008)	10.555	26,959	-	-	-	26,959	26,959	-
Sec. 11 - Free and Reduced (2006/2007)	10.555	84,647	17,792	84,647	-	17,792	-	-
Sec. 11 - Free and Reduced (2007/2008)	10.555	118,242	-	-	-	118,242	118,242	-
Total National School Lunch Program	10.555	256,285	22,232	111,084	-	167,433	145,201	-
National School Lunch Breakfast								
2006/2007	10.553	17,717	5,137	17,717	-	5,137	-	-
2007/2008	10.553	29,963	-	-	-	29,963	29,963	-
Total National School Lunch Breakfast	10.555	47,680	5,137	17,717	-	35,100	29,963	-
Total Child Nutrition Cluster		303,965	27,369	128,801	-	202,533	175,164	-
Food Distribution:								
Entitlement Commodities								
Bonus Commodities								
10.550	10.550	23,954	-	-	-	22,321	22,321	-
10.550	10.550	N/A	-	-	-	-	-	-
		23,954	-	-	-	22,321	22,321	-
		327,919	27,369	128,801	-	224,854	197,485	-
Total United States Department of Agriculture								
U.S. Department of Education								
Passed through MI Department of Education:								
Title I:								
061530-0607	84.010	17,320	17,320	17,320	-	17,320	-	-
071530-0607	84.010	504,339	333,707	467,442	-	333,707	-	-
081530-0708	84.010	582,783	-	-	-	534,953	582,783	47,830
Total Title I	84.010	1,104,442	351,027	484,762	-	885,980	582,783	47,830
Title V:								
060250-0607	84.298	3,684	3,684	3,684	-	3,684	-	-
070250-0607	84.298	1,825	1,825	1,825	-	1,825	-	-
080250-0708	84.298	1,710	-	-	-	-	1,710	1,710
Total Title V	84.298	7,219	5,509	5,509	-	5,509	1,710	1,710

Quincy Community Schools
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2008

<u>Federal Grantor Pass Through Grantor Program Title/Grantor's Number</u>	<u>Federal CFDA Number</u>	<u>Award/Grant Entitlement Program Amount</u>	<u>Accrued (Deferred) Revenue 7/1/2007</u>	<u>Prior Year Expenditures</u>	<u>Adjustments Prior Years</u>	<u>Current Year Cash Payment Received</u>	<u>Current Year Expenditures</u>	<u>Accrued (Deferred) Revenue 6/30/2008</u>
<u>U.S. Department of Education (Continued)</u>								
<u>Passed through MI Department of Education (Continued):</u>								
Title IID:								
064290-0607	84.318	\$ 9,284	\$ 9,284	\$ -	\$ -	\$ 9,284	\$ -	\$ -
074290-0607	84.318	5,177	5,177	-	-	5,177	-	-
084290-0708	84.318	5,118	-	-	-	-	5,118	5,118
Total Title IID	84.318	19,579	14,461	-	-	14,461	5,118	5,118
Title II:								
070520-0607	84.367	94,687	94,687	-	-	94,687	-	-
080520-0708	84.367	98,586	-	-	-	98,586	98,586	-
Total Title II	84.367	193,273	94,687	-	-	193,273	98,586	-
Title VIB:								
070660-0607	84.358B	42,244	20,254	-	-	20,254	-	-
080660-0708	84.358B	84,309	-	-	-	10,316	84,309	73,993
Total Title VIB	84.358B	126,553	20,254	-	-	30,570	84,309	73,993
Reading First State Grant:								
072930-0607	84.357A	242,550	156,579	208,120	-	191,009	34,430	-
082930-0708	84.357A	380,544	-	-	-	245,381	379,392	133,411
Total Reading First State Grant	84.357A	623,094	156,579	208,120	-	436,990	413,822	133,411
Service Provider Self Review:								
080440-0708	84.027	4,000	-	-	-	-	3,050	3,050
Total Service Provider Self Review	84.027	4,000	-	-	-	-	3,050	3,050
Total Passed Through MI Department of Education								
		2,078,160	642,517	827,793	-	1,566,783	1,189,378	265,112
<u>Passed through Calhoun ISD:</u>								
Title IV Part A								
Tech Prep	84.186	7,835	-	-	-	-	7,835	7,835
Total Passed Through Calhoun ISD	84.243	900	-	-	-	900	900	-
		8,735	-	-	-	900	8,735	7,835
Total United States Department of Education								
		2,086,895	642,517	827,793	-	1,567,683	1,198,113	272,947
		\$ 2,414,814	\$ 669,886	\$ 956,594	\$ -	\$ 1,792,537	\$ 1,395,598	\$ 272,947

Quincy Community Schools
Schedule of Reconciliation of Revenues with
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

	<u>Amount</u>
Revenue from Federal sources - per financial statements (includes all funds)	\$ 1,395,598
Reconciling items	_____ -
Federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u>1,395,598</u>

Quincy Community Schools
Notes to Schedule of Expenditures of Federal Awards

Note 1 - Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Quincy Community Schools and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133 and reconciles with the amounts presented in the preparation of the financial statements.

Expenditure Reports

Management has reconciled the expenditures reported in the Schedule of Expenditures of Federal Awards to those amounts reported in the annual or final cost reports.

Grant Section Auditor's Report

Management has utilized the Grant Section Auditor's Report (Form R-7120) and the Grant Audit Report in preparing the Schedule of Expenditures of Federal Awards.

Quincy Community Schools
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified		
Internal control over financial reporting:			
Material weakness identified?	<u> X </u>	yes	<u> </u> no
Significant deficiencies identified that are not considered to be material weaknesses	<u> X </u>	yes	<u> </u> no
Noncompliance material to financial statements noted	<u> </u>	yes	<u> X </u> no

Federal Awards

Internal control over major programs:			
Material weakness identified:	<u> </u>	yes	<u> X </u> no
Significant deficiencies identified that are not considered to be material weaknesses	<u> </u>	yes	<u> X </u> no

Typed of auditor's report issued on compliance for major programs:	Unqualified		
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133.	<u> </u>	yes	<u> X </u> no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
84.357	Reading First Grant Program

Dollar threshold used to distinguish between Type A and type B programs.	<u> \$ 300,000 </u>
Auditee qualified as low-risk	<u> X </u> yes <u> </u> no

Quincy Community Schools
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

Section II – Financial Statement Findings

2008-1 – Bank Reconciliation Internal Control

For the year ended June 30, 2008, bank reconciliations were not prepared timely and the issue was not addressed through internal control. We would recommend that some form of review of the bank reconciliations be done by someone independent of the check writing process to ensure timeliness of preparation and to review for any unusual items. We again communicate this as required by professional standards and believe this meets the definition of a significant deficiency as defined in Statement on Auditing Standards #112.

Corrective Action Response

We agree with the recommendation and will implement a review control step in the future. We would expect this situation to be corrected in future years.

Section III – Federal Award Findings and Questioned Costs

None

Quincy Community Schools
Comments on Resolution of Findings from June 30, 2007
Single Audit Report

Finding: There were no findings or questioned costs at June 30, 2007 related to programs tested.

Quincy Community Schools

Financial Report
With Supplemental Information

Year Ended June 30, 2008

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Independent Auditors' Report

Board of Education
Quincy Community Schools
Quincy, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Quincy Community Schools, as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Quincy Community Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Quincy Community Schools as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report under separate cover dated September 24, 2008, on our consideration of the School District's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Quincy Community Schools' basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Willis & Jurasek, P.C.

Willis & Jurasek, P.C

September 24, 2008

Quincy Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2008

As administration of Quincy Community Schools, Counties of Branch and Hillsdale, State of Michigan, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2008.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$3,878,323 (net assets). Of this amount, \$5,598 (unrestricted net assets) may be used to meet the District's ongoing obligations to taxpayers, students, and creditors.
- The District's total net assets decreased by \$265,000. The decrease represents the degree to which increases in ongoing expenses have outpaced similar increases in ongoing revenues.
- As of the close of the current fiscal year, the District's aggregated fund balance for the District's governmental funds was \$(81,756) or -0.6 percent of the total expenditures of these funds.
- The General Fund had a net change in fund balance of \$(333,690). At the end of the year, the total fund balance for the General Fund was \$1,284.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District financially as a whole. The District-Wide Financial Statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The financial statements then proceed to provide an increasingly detailed look at specific financial activities included in the fund financial statements. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements provide information about the School District's most significant fund – the General Fund.

Reporting the District as a Whole

The Statement of Net Assets and Statement of Activities – One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities, which appear first in the School District's financial statements, report information about the District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by private-sector corporations. However, the School District's goal is to provide services to our students, not to generate profits, as private-sector corporations do. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

The Statement of Net Assets and Statement of Activities present information about the following:

Governmental Activities – All of the District's basic services are considered to be governmental activities, including instruction, support services, community services, athletics, food services, and transfers to other local districts. Property taxes, intergovernmental revenues, (unrestricted and restricted State Aid), and charges for services finance most of these activities.

Quincy Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2008

These two statements report the District's net assets and changes in them. The change in net assets provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base, political conditions at the State Capitol, student enrollment growth, birth rates, and facility conditions in arriving at their conclusion regarding the overall health of the District.

The district-wide financial statements can be found on pages 1- 2 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements – The fund financial statements provide detailed information about the most significant funds – not the District as a whole. The fund financial statements begin on page 3 and provide detailed information about the most significant funds. The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's *Accounting Manual*. The District's two types of funds: governmental funds and fiduciary funds use different accounting approaches as further discussed in the Notes to Financial Statements.

In the fund financial statements, capital assets purchased by cash are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future years' debt obligations are not recorded.

Governmental Funds – Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources available to spend in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

The basic governmental fund financial statements can be found on pages 3 and 5 of this report.

Fiduciary Funds – The District is the fiduciary for various student group activities. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operations. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets.

The basic fiduciary fund financial statements can be found on page 7 of this report.

Additional Information – The Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to Financial Statements can be found on pages 8 – 17 of this report.

Government-Wide Financial Analysis

The government-wide financial analysis focuses on the net assets and changes in net assets of the District's governmental activities. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

Quincy Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2008

The following is a summary of the School District's net assets as of June 30, 2008 and 2007

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Assets:		
Current assets	\$ 3,828,554	\$ 3,037,805
Non-current assets	<u>8,320,856</u>	<u>8,752,949</u>
Total assets	<u>12,149,410</u>	<u>11,790,754</u>
Liabilities:		
Current liabilities	4,230,640	3,319,514
Non-current liabilities	<u>4,040,447</u>	<u>4,327,917</u>
Total Liabilities	<u>8,271,087</u>	<u>7,647,431</u>
Net Assets:		
Invested in capital assets – net of related debt	3,960,079	4,155,566
Restricted	(87,354)	(426,361)
Unrestricted	<u>5,598</u>	<u>414,118</u>
Total net assets	<u>\$ 3,878,323</u>	<u>\$ 4,143,323</u>

The above analysis focuses on the net assets. The change in net assets of the School District's governmental activities is discussed below. The net assets differ from fund balances and a reconciliation appears on page 4.

By far the largest portion of the District's net assets reflects its investment in capital assets (i.e. land, buildings, vehicles, and equipment) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net assets of \$(87,354) represent resources that are subject to external restrictions on how they may be used. In the case of the School District, these included amounts restricted for debt service and capital projects. The remaining balance of \$5,598, which is *unrestricted net assets*, may be used to meet the District's ongoing obligations to citizens and creditors.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities which shows the change in net assets for fiscal year 2008.

Quincy Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2008

The following is a summary of the changes in net assets for the years ended June 30, 2008 and 2007:

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Revenues:		
Program revenues:		
Charges for services	\$ 282,670	\$ 268,839
Operating grants	1,701,954	1,313,779
General revenues:		
Property taxes – general purposes	1,064,317	904,364
Property taxes – debt service	501,832	450,816
Property taxes – sinking fund	306,686	275,548
Grants and state aid	9,052,805	9,226,621
Other	400,049	387,006
Total revenues	<u>13,310,313</u>	<u>12,826,973</u>
Functions/Program Expenses:		
Instruction	8,056,172	7,916,123
Support services	3,770,915	3,453,922
Food service activities	475,272	381,781
Athletic activities	317,893	279,317
Community service	26,955	22,431
Other	169,348	478,171
Interest	218,893	231,582
Depreciation (unallocated)	<u>539,865</u>	<u>545,898</u>
Total expenses	<u>13,575,313</u>	<u>13,309,225</u>
Increase (decrease) in net assets	\$ <u>(265,000)</u>	\$ <u>(482,252)</u>

The District's net assets decreased by \$265,000 during the current fiscal year. The decrease in net assets differs from the change in fund balances and a reconciliation appears on page 6.

The net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State Aid constitute the vast majority of the School District's operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted resources.

General Fund Budgeting and Operating Highlights

The School District's budgets are prepared according to Michigan Law. The most significant budgeted funds are the General Fund and the non-major governmental funds for Food Service and Athletics.

During the fiscal year ended June 30, 2008, the School District amended the budgets of these governmental funds once. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's General Fund original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

The General Fund actual revenue and other financing sources was \$11,912,572. That amount is above the amended budget estimate of \$11,851,187. The \$61,385 variance (0.52%), considered immaterial by management, can be attributed to local and Federal sources. The local portion includes insurance proceeds included in extraordinary items as well as better than expected tax collections. The Federal portion is a result of completely drawing upon the District's Federal grants.

Quincy Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2008

The actual expenditures and other financing uses of the general fund were \$12,246,262, which is above the amended budget estimate of \$12,179,306. The \$66,956 variance (0.55%), considered immaterial by management, can be attributed to the area of Added Needs, specifically the District's Federal programs which were completely drawn upon for the fiscal year.

The General Fund had total revenues of \$11,912,572 and total expenditures and transfers out of \$12,246,262 with a net change in fund balance of \$(333,690) and an ending fund balance of \$1,284. The current year planned net deficit was due to health insurance costs that were significantly greater than originally budgeted for as well as a significant decline in enrollment numbers that were originally forecast. The Board and Administration is keenly aware of the precariously low fund balance at the end of the fiscal year and has put in place cuts to reverse this trend. These items are explained in greater detail later in this discussion and analysis.

There were no significant differences between the final budget and actual amounts.

Capital Asset and Debt Administration

Capital Assets – At the end of the fiscal year 2008, the School District had \$15,372,817 invested in land and buildings, furniture and equipment, vehicles and buses. Of this amount, \$7,051,961 in depreciation has been taken over the years. We currently have a net book value of \$8,320,856.

	<u>Governmental Activities</u>	
	2008	2007
Land	\$ 202,083	\$ 202,083
Buildings and improvements	8,723,843	8,769,143
Site improvements	3,795,996	3,714,927
Furniture and equipment	1,764,968	1,720,741
Buses	885,927	885,927
Total capital assets	15,372,817	15,292,821
Less accumulated depreciation	7,051,961	6,539,872
Net capital assets	<u>\$ 8,320,856</u>	<u>\$ 8,752,949</u>

Major capital asset events during the current fiscal year included the following:

Playground project (Phase II)

Purchase and installation of new hot water system for the locker-room area

Purchase of custodial equipment – automatic scrubber

Purchase and installation of kitchen equipment – exhaust/hood system, dishwasher, and convection oven

Long-Term Debt – At June 30, 2008, the District had total bonded debt outstanding of \$4,454,312, of which \$24,312 is Durant Resolution Bonds that are a legal obligation of the School District, but an annual State of Michigan appropriation is the only revenue source making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the District is under no obligation for payment. The remainder of the debt is \$4,430,000 which is the 2000 Debt Obligation and the 2005 Debt Refinancing Obligation.

	<u>Governmental Activities</u>	
	2008	2007
2000 Debt Fund Bonds	\$ 575,000	\$ 840,000
2005 Refunding Bonds	3,855,000	3,870,000
Durant Resolution Bonds	24,312	24,312
Total	<u>\$ 4,454,312</u>	<u>\$ 4,734,312</u>

Quincy Community Schools
Management's Discussion and Analysis
Year Ended June 30, 2008

State statutes limit the amount of general obligation debt that a school district may issue to 15 percent of its total assessed valuation (State Equalized Value). The current outstanding general obligation debt for Quincy Community Schools is significantly below the current debt limitation.

Additional information on the District's long-term debt can be found in Note 8 on page 15 of this report.

Economic Factors and Next Year's Budgets and Rates

On March 15, 1994, the electors of the State of Michigan approved a ballot proposition to amend the State Constitution of 1963, in part, to increase the State sales tax from 4% to 6% as part of a complex plan to restructure the source of funding of public education (K-12) in order to reduce reliance on local property taxes for school operating purposes and to equalize the per pupil finance resource disparities among school districts. The State Aid package passed by the Legislature as part of the school finance reform legislation instituted a per pupil foundation guarantee beginning in fiscal year 1994-1995. The Legislature appropriated funds to establish a foundation guarantee in 2007-2008 of \$7,204 per pupil for Quincy Community Schools, based upon the District's 1993-1994 revenue. In following years, the foundation guarantee may be adjusted by an index based upon the change in revenues to the State School Aid Fund and change in the total number of pupils statewide, and the spread between the high and low pupil guarantee will be reduced. The foundation guarantee consists of the locally raised property taxes plus State Aid. The source of revenues for the State's contribution to the foundation allowance is derived from a mix of taxing sources, including but not limited to, a statewide property tax of six mills on all property (homestead and non-homestead) (reduced to five mills in 2003 only), a State sales and use tax, a real estate transfer tax and a cigarette tax.

The following factors were considered in preparing the District's budgets for the 2008-2009 fiscal year:

- Foundation allowance of \$7,300 per pupil (although a School Aid Bill was not in effect as of June 30)
- Significant decrease in student enrollment from 2007-2008 to reflect a continuing trend of declining enrollment
- State aid membership based on a 75-25 percent blended count
- Significant reduction in professional staff (six teaching positions, curriculum director, building administrator)
- Reductions in support staff (six paraprofessionals, one bus driver, one custodian)
- Continued discretionary reductions in other budget line items
- Deferred purchase of new busses
- Additional reductions in staff may also be necessary since the budget was adopted by the Board and these reductions will be reflected in subsequent Budget Amendments made periodically throughout the 2008-2009 fiscal year

Requests for Information

This financial report is designed to provide a general overview of the Quincy Community Schools' finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

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Quincy, MI 49082
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Fax (517) 639-4273
E-mail ludlowm@quincyschools.org

Quincy Community Schools
Statement of Net Assets
June 30, 2008

	<u>Governmental Activities</u>
Assets:	
Cash and investments	\$ 1,713,919
Receivables:	
Taxes	17,101
Accounts receivable	81,804
Due from other governmental units	1,972,329
Inventories	11,467
Prepaid expenses	31,934
Capital assets less accumulated depreciation of \$7,051,961	<u>8,320,856</u>
Total assets	<u>12,149,410</u>
Liabilities:	
Accounts payable	65,641
State aid anticipation loan	2,700,000
Accrued payroll	811,566
Accrued interest	32,858
Other liabilities	333,103
Long-term liabilities:	
Bonds payable, due within one year	287,472
Bonds payable, due in more than one year	<u>4,040,447</u>
Total liabilities	<u>8,271,087</u>
Net Assets:	
Investment in capital assets - net of related debt	3,960,079
Restricted for debt service	150,108
Restricted for construction	(237,462)
Unrestricted	<u>5,598</u>
Total net assets	<u>\$ 3,878,323</u>

Quincy Community Schools
Statement of Activities
Year Ended June 30, 2008

Functions/Programs	Program Revenues			Governmental
	Expenses	Charges for Services	Operating Grants/Contributions	Activities
Primary Government				Net (Expenses) Revenues and Changes in Net Assets
Governmental activities:				
Instruction	\$ 8,056,172	\$ 1,535	\$ 1,473,948	\$ (6,580,689)
Support services	3,770,915	-	-	(3,770,915)
Food service activities	475,272	199,970	228,006	(47,296)
Athletic activities	317,893	81,165	-	(236,728)
Community services	26,955	-	-	(26,955)
Other	120,276	-	-	(120,276)
Interest on long-term debt	218,893	-	-	(218,893)
Depreciation (unallocated)	<u>539,865</u>	-	-	<u>(539,865)</u>
Total governmental activities	<u>\$ 13,526,241</u>	<u>\$ 282,670</u>	<u>\$ 1,701,954</u>	<u>(11,541,617)</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				1,064,317
Property taxes, levied for debt services				501,832
Property taxes, levied for sinking fund				306,686
State aid not restricted to specific purposes				9,052,805
Interest and investment earnings				37,549
Extraordinary item - insurance proceeds on building loss				16,087
Other				<u>297,341</u>
Total general revenues				<u>11,276,617</u>
Change in Net Assets				(265,000)
Net Assets - Beginning of Year				<u>4,143,323</u>
Net Assets - End of Year				<u>\$ 3,878,323</u>

Quincy Community Schools
Balance Sheet
Governmental Funds
June 30, 2008

	Other Nonmajor Governmental		
	General	Funds	Total
<u>Assets</u>			
Cash and short-term investments	\$ 1,523,193	\$ 190,726	\$ 1,713,919
Receivables:			
Taxes receivable	12,496	4,605	17,101
Accounts receivable	79,799	2,005	81,804
Due from other governmental units	1,968,697	3,632	1,972,329
Due from other funds	277,229	-	277,229
Inventories	-	11,467	11,467
Prepaid expenditures	31,934	-	31,934
Total assets	<u>\$ 3,893,348</u>	<u>\$ 212,435</u>	<u>\$ 4,105,783</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 54,449	\$ 11,192	\$ 65,641
State aid anticipation loan	2,700,000	-	2,700,000
Due to other funds	-	277,229	277,229
Salaries payable	809,404	2,162	811,566
Accrued expenditures	242,696	1,498	244,194
Deferred revenue	-	3,394	3,394
Other liabilities	85,515	-	85,515
Total liabilities	<u>3,892,064</u>	<u>295,475</u>	<u>4,187,539</u>
Fund Balances:			
Reserved for debt service	-	150,108	150,108
Reserved for construction	-	(237,462)	(237,462)
Unreserved; undesignated	1,284	4,314	5,598
Total fund balances	<u>1,284</u>	<u>(83,040)</u>	<u>(81,756)</u>
Total liabilities and fund balances	<u>\$ 3,893,348</u>	<u>\$ 212,435</u>	<u>\$ 4,105,783</u>

Quincy Community Schools
Reconciliation of Balance Sheet of Governmental Funds to Net Assets
Governmental Funds
June 30, 2008

Total Fund Balances - Governmental Funds	\$ (81,758)
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	
The cost of the capital assets is	\$ 15,372,817
Accumulated depreciation is	<u>(7,051,961)</u>
	8,320,856
Long-term liabilities not due and payable in the current period and not reported in the funds:	
Bonds payable	(4,454,312)
Deferred amount on refunding	261,461
Unamortized premiums	(135,068)
Accrued interest payable is not included as a liability in governmental activities.	<u>(32,858)</u>
Total Net Assets - Governmental Activities	<u>\$ 3,878,323</u>

Quincy Community Schools
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2008

	General	Other Nonmajor Governmental Funds	Total
Revenues:			
Local sources	\$ 1,294,139	\$ 1,196,256	\$ 2,490,395
State sources	9,328,640	30,520	9,359,160
Federal sources	<u>1,198,113</u>	<u>197,486</u>	<u>1,395,599</u>
Total revenues	<u>11,820,892</u>	<u>1,424,262</u>	<u>13,245,154</u>
Expenditures:			
Instruction	8,056,172	-	8,056,172
Support services	3,927,759	-	3,927,759
Athletic activities	-	317,893	317,893
Food service activities	-	475,272	475,272
Community services	26,955	-	26,955
Other	-	134	134
Debt service			
Principal payments	-	280,000	280,000
Interest and fiscal charges	-	210,453	210,453
Capital outlay	<u>-</u>	<u>120,142</u>	<u>120,142</u>
Total expenditures	<u>12,010,886</u>	<u>1,403,894</u>	<u>13,414,780</u>
Revenues Over (Under) Expenditures	<u>(189,994)</u>	<u>20,368</u>	<u>(169,626)</u>
Other Financing Sources (Uses):			
Operating transfers in	26,521	235,376	261,897
Operating transfers out	<u>(235,376)</u>	<u>(26,521)</u>	<u>(261,897)</u>
Total other financing sources (uses)	<u>(208,855)</u>	<u>208,855</u>	<u>-</u>
Net Changes in Fund Balances Before Extraordinary Item	(398,849)	229,223	(169,626)
Extraordinary Item - Insurance Proceeds	<u>65,159</u>	<u>-</u>	<u>65,159</u>
Net Changes in Fund Balances	(333,690)	229,223	(104,467)
Fund Balances - Beginning of Year	<u>334,974</u>	<u>(312,263)</u>	<u>22,711</u>
Fund Balances - End of Year	<u>\$ 1,284</u>	<u>\$ (83,040)</u>	<u>\$ (81,756)</u>

Quincy Community Schools
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Governmental Funds
Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds **\$ (104,467)**

Amounts reported for governmental activities in the Statement
of Activities are different because:

Governmental funds report capital outlays as expenditures; in the
Statement of Activities, these costs are allocated over their estimated
useful lives as depreciation.

Depreciation expense	\$ (539,865)	
Capital outlay	<u>156,844</u>	
		(383,021)

Accrued interest is recorded in the Statement of Activities when incurred, it is not reported in governmental funds until paid.	2,096
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Bond proceeds are reported as financing sources in governmental funds
and thus contribute to the change in fund balance. In the Statement of Net
Assets, however, issuing debt increases long-term liabilities and does not
affect the Statement of Activities. Similarly, repayment of principal is an
expenditure in the governmental funds but reduces the liability in the
Statement of Net Assets.

Premium on the refunding debt	11,250	
Recognized interest	(21,786)	
Principal repayments	<u>280,000</u>	
		269,464

Proceeds from disposal of asset recorded as revenue in governmental funds
when received; loss on asset disposal recorded in the Statement of
Activities

Proceeds from asset disposal	(65,159)	
Loss on asset disposal	<u>16,087</u>	
		<u>(49,072)</u>

Change in Net Assets of Governmental Activities **\$ (265,000)**

Quincy Community Schools
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008

**Agency Fund -
Student
Activities**

	<u>Assets</u>	
Cash and short-term investments		\$ 80,958
Total assets		<u>\$ 80,958</u>
	<u>Liabilities</u>	
Due to student groups		\$ 80,958
Total liabilities		<u>\$ 80,958</u>

Quincy Community Schools

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies

The basic financial statements of the Quincy Community Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate, component units of the School District. Based on the application of the criteria, the District does not contain any component units.

District-Wide and Fund Financial Statements

The district-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

District-Wide Statements – The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.

Quincy Community Schools
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

District-Wide Statements (Continued) - Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State aid.

Fund-Based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, severance pay, claims, and judgments, are recorded only when payment is due.

Property taxes, unrestricted State aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

General Fund - The General Fund is the School District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

Additionally, the government reports the following fund types:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. Special Revenue Funds maintained by the District are the Athletics Fund and Food Service Fund.

Debt Funds - Debt Funds are used to record tax, interest, and other revenue for payment of principal and other expenditures thereof on a particular bond issue. The District maintains the 2000 Debt Fund, the 2005 Refunding Debt Fund and the Durant Debt Fund.

Capital Project Funds - Capital Project Funds are used to record bond proceeds or other revenue and the disbursement of monies specifically designated for acquiring new school sites, buildings, equipment, and for remodeling. The District maintains the Building and Site Fund.

Fiduciary Funds - Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent. Fiduciary Fund net assets and results of operations are not included in the district-wide statements.

Quincy Community Schools
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Fund Based Statements (Continued) - The agency funds are custodial in nature (assets equal liabilities) and do not involve measurements of results of operations. The District presently maintains a Student Activities Fund to record the transactions of student and parent groups for school-related purposes. The funds are segregated and held in trust for the students and parents.

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the District intends to hold the investment until maturity. Accordingly, investments in bankers' acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds, and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Property Taxes - Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. For the year ended June 30, 2008, the District levied the following amounts per \$1,000 of assessed taxable valuation.

General Fund -- Non-homestead	17.3351
Debt Funds -- Homestead and Non-homestead	2.4000
Building and Site Fund -- Homestead and Non-homestead	1.4673

Receivables and Payables – In general, outstanding balances between funds are reported as "due to/from other funds." Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

Property tax and other trade receivables are shown net of an allowance for uncollectible amounts. The District has determined the uncollectible amounts are immaterial and no provision has been recorded.

Quincy Community Schools
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity (Continued)

Receivables and Payables (Continued) - The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a statewide formula. The foundation allowance is funded from a combination of State and local sources. Revenues from State sources are primarily governed by the School Aid Act and the School Code of Michigan. The State portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with State law and accounting principles generally accepted in the United States of America.

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the State of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year, are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

Inventories and Prepaid Items – Inventories are valued at cost on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements.

Capital Assets - Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. The government defines capital assets as assets with an initial individual cost of \$5,000 or greater and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	50 years
Site improvements	15-20 years
Buses and other vehicles	5-10 years
Furniture and equipment	5-20 years

Compensated Absences - The District does not report a liability for compensated absences. Sick leave can be accumulated up to 105 days. At retirement or termination, accumulated sick pay is forfeited. Vacation leave can not be carried over from year to year. Any unused leave at year-end is forfeited.

Long-Term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Quincy Community Schools
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity (Continued)

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Use of Restricted Resources - When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Note 2 – Stewardship, Compliance, and Accountability

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriations lapse at fiscal year-end.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplemental information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the *Uniform Budgeting and Accounting Act* (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations if any, for the General Fund, are noted in the required supplemental information section.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2008. The District does not consider these amendments to be significant.

Quincy Community Schools
Notes to Financial Statements

Note 3 – Deposits and Investments

At year-end, the District's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and investments	\$ <u>1,713,919</u>	\$ <u>80,958</u>	\$ <u>1,794,877</u>

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking and savings accounts, certificates of deposit)	\$ 637,188
Investments in MILAF investment fund	1,157,639
Petty cash and cash on hand	<u>50</u>
Total	<u>\$ 1,794,877</u>

Investment and Deposit Risk

Interest Rate Risk – State law limits the allowable investments and the maturities of some of the allowable investments. The District's investment policy does not have specific limits in excess of State law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The investment in the MILAF investment fund had an average maturity of less than 1 year.

Credit Risk – State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers' acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools. The District's investments policy does not have specific limits in excess of State law on investment credit risk. The District's investment in the MILAF investment fund was rated A-1 by Standard & Poor's, F-1 by Fitch Ratings and P-1 by Moody's Investors Service.

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District has not adopted and State law does not require a policy for deposit custodial credit risk. As of year-end, \$844,634 of the District's bank balance of \$944,634 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Note 4 – Receivables

Receivables at year end consist of the following:

Other governmental units (primarily Michigan Department of Education)	\$ 1,972,329
Taxes receivable	17,101
Accounts receivable (primarily insurance proceeds)	<u>81,804</u>
	<u>\$ 2,071,234</u>

Quincy Community Schools
Notes to Financial Statements

Note 5 – Capital Assets

Capital asset activity of the School District's governmental activities was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Year-End Balance</u>
Assets not being depreciated:				
Land	\$ 202,083	\$ -	\$ -	\$ 202,083
Subtotal	<u>202,083</u>	<u>-</u>	<u>-</u>	<u>202,083</u>
Capital assets being depreciated:				
Building and improvements	8,769,143	31,548	76,848	8,723,843
Site improvements	3,714,927	81,069	-	3,795,996
Buses and other vehicles	885,927	-	-	885,927
Furniture and equipment	<u>1,720,741</u>	<u>44,227</u>	<u>-</u>	<u>1,764,968</u>
Subtotal	<u>15,090,738</u>	<u>156,844</u>	<u>76,848</u>	<u>15,170,734</u>
Accumulated depreciation:				
Building and improvements	2,818,007	148,398	27,776	2,938,629
Site improvements	1,954,846	175,216	-	2,130,062
Buses and other vehicles	570,819	69,405	-	640,224
Furniture and equipment	<u>1,196,200</u>	<u>146,846</u>	<u>-</u>	<u>1,343,046</u>
Subtotal	<u>6,539,872</u>	<u>539,865</u>	<u>27,776</u>	<u>7,051,961</u>
Net capital assets being depreciated	<u>8,550,866</u>	<u>(383,021)</u>	<u>(49,072)</u>	<u>8,118,773</u>
Net capital assets	<u>\$ 8,752,949</u>	<u>\$ (383,021)</u>	<u>\$ (49,072)</u>	<u>\$ 8,320,856</u>

Depreciation for the fiscal year ended June 30, 2008 totaled \$539,865. The District determined that it was impractical to allocate depreciation to various governmental activities as the assets serve multiple functions.

Note 6 – Interfund Receivables, Payables and Transfers

The District reports interfund balances between some of its funds. The sum of all balances presented in the tables below agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The composition of interfund balances is as follows:

	<u>Due To: General Fund</u>
Due From:	
Building & Site Fund	\$ 248,049
Food Service Fund	<u>29,180</u>
	<u>\$ 277,229</u>

During the current fiscal year, the General Fund transferred \$235,376 to the Athletics Fund to subsidize the activities of the Athletics Fund, and the Food Service Fund transferred \$26,521 to the General Fund.

Quincy Community Schools
Notes to Financial Statements

Note 7 – Note Payable

During the year, the District issued a State Aid Anticipation Note dated August, 2007 maturing August, 2008 in the amount of \$2,700,000 with an interest rate of 3.7%. Debt was issued to meet short-term cash flow needs. The note was renewed in August, 2008 for \$3,300,000.

<u>Balance</u> <u>June 30, 2007</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2008</u>
\$ <u>1,800,000</u>	\$ <u>2,700,000</u>	\$ <u>1,800,000</u>	\$ <u>2,700,000</u>

Note 8 – Long-Term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Long-term obligations can be summarized as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Amounts Due</u> <u>Within One</u> <u>Year</u>
Governmental activities:					
Bonds	\$ 4,734,312	\$ -	\$ 280,000	\$ 4,454,312	\$ 298,007
Deferred amount on refunding	(283,247)	-	(21,786)	(261,461)	(21,785)
Unamortized premium	<u>146,318</u>	<u>-</u>	<u>11,250</u>	<u>135,068</u>	<u>11,250</u>
Total governmental activities	\$ <u>4,597,383</u>	\$ <u>-</u>	\$ <u>269,464</u>	\$ <u>4,327,919</u>	\$ <u>287,472</u>

Annual debt service requirements to maturity on the above governmental bond obligations are as follows:

	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 298,007	\$ 197,146	\$ 495,153
2010	313,151	182,476	495,627
2011	335,383	168,301	503,684
2012	343,795	153,558	497,353
2013	358,976	139,777	498,753
2014 – 2018	1,980,000	427,078	2,407,078
2019 – 2020	<u>825,000</u>	<u>49,600</u>	<u>874,600</u>
Total	\$ <u>4,454,312</u>	\$ <u>1,317,936</u>	\$ <u>5,772,248</u>

\$5,765,000 – 2000 serial bonds (partially refunded in 2005)

due in annual installments of \$280,000 - \$295,000

through May 1, 2010; interest at 5.000%.

\$ 575,000

\$3,900,000 – 2005 refunding bonds

due in annual installments of \$15,000 - \$415,000

through May, 2020; interest at 3.000% to 5.000%

3,855,000

\$59,320 – Durant Non-Plaintiff serial bonds

due in annual installments of \$3,007 to \$10,383

through May 15, 2013; interest at 4.70%.

24,312

Total long-term debt

\$ 4,454,312

Quincy Community Schools
Notes to Financial Statements

Note 8 – Long-Term Debt (Continued)

Durant Non-Plaintiff Bond - Included in Governmental Activities General Obligation Bonds is the Durant Non-Plaintiff Bond. Annual total payments (principal and interest) of \$4,165 associated with this bond are funded by the State of Michigan via specifically appropriated State Aid and will not require any District debt levy or utilization of any other District financial resources. There was no payment during the current year.

The School District has defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School District's financial statement. At June 30, 2008, \$3,830,000 of bonds outstanding are considered defeased.

Note 9 – Risk Management

The School District is exposed to various risks of loss-related torts, theft of, damage to, and destruction of assets; errors and omissions; employee injuries and natural disasters. The District participates in a distinct pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The pool is considered a public entity risk pool. The District pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The School District has purchased commercial insurance for other risks of loss, including property and casualty, errors and omissions, fleet, and employee health and accident insurance.

Note 10 – Defined Benefit Pension Plan and Post-Employment Benefits

Plan Description – The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit pension plan administered by the nine member board of the MPERS. The MPERS provides retirement benefits and postretirement benefits for health, dental and vision. The MPERS was established by Public Act 136 of 1945 and operates under the provisions of Public Act 300 of 1980, as amended. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30026, Lansing, MI 48909 or by calling (517) 322-6000.

Funding Policy – Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rates: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

Quincy Community Schools
Notes to Financial Statements

Note 10 – Defined Benefit Pension Plan and Post-Employment Benefits (Continued)

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 17.74 percent for the period from July 1, 2007 through September 30, 2007 and 16.72 percent for the period October 1, 2007 through June 30, 2008. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The School District's contributions to the MPSERS plan for the years ended June 30, 2008, 2007, and 2006 were approximately \$1,127,000, \$1,276,000, and \$1,154,000, respectively.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

Post-Employment Benefits – Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverages. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverages. Required contributions for post-employment health care benefits are included as part of the District's total contribution to the MPSERS plan discussed above.

Note 11 – Federal and State Grants

The District has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under terms of the grants, management believes that any required reimbursements would not be material.

Note 12 - Sinking Funds

The Building and Site Capital Project Fund records capital project activities funded with Sinking Fund millage. For this fund, the School District has complied with the applicable provisions of Section 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

Note 13 – Related Party

During the year ended June 30, 2008, the District purchased services in the amount of \$99,263 from a company owned by a member of the board of education. Of this amount, approximately \$81,000 was related to a playground renovation project and the remaining amount was for standard maintenance and repairs.

Note 14 – Deficit Fund Balance

A deficit fund balance in the amount of \$237,462 exists in the Building and Site Fund due to the borrowing of funds from the General Fund for the track project. Anticipated sinking fund tax levy for the next year will be set aside to repay the General Fund and eliminate the deficit.

Note 15 – Extraordinary Item

During the course of the 2008 year, the District received insurance proceeds for the loss of a building due to arson. The insurance proceeds have been recorded as an extraordinary item in the fund financial statements.

Required Supplemental Information

Quincy Community Schools
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2008

	Budgeted Amounts		Actual
	Original	Final	
Revenues:			
Local sources	\$ 1,071,478	\$ 1,228,276	\$ 1,294,139
State sources	9,670,140	9,337,330	9,328,640
Federal sources	840,601	1,167,480	1,198,113
Other	-	-	-
Total revenues	<u>11,582,219</u>	<u>11,733,086</u>	<u>11,820,892</u>
Expenditures:			
Instruction:			
Basic programs	6,703,318	7,158,149	7,144,198
Added needs	767,896	864,563	911,974
Support services:			
Pupil	396,559	401,202	405,881
Instructional staff	574,025	620,752	639,360
General administration	277,958	288,291	294,875
School administration	735,551	739,956	739,584
Business	275,128	300,312	298,397
Operation and maintenance	968,427	994,072	999,524
Pupil transportation	562,296	546,053	541,820
Central services	4,000	6,189	8,318
Community services	11,700	25,896	26,955
Other	85,000	-	-
Total expenditures	<u>11,360,858</u>	<u>11,945,435</u>	<u>12,010,886</u>
Revenues Over (Under) Expenditures	<u>221,361</u>	<u>(212,349)</u>	<u>(189,994)</u>
Other Financing Sources (Uses):			
Operating transfers in	-	20,000	26,521
Operating transfers out	(221,275)	(233,871)	(235,376)
Total other financing sources (uses)	<u>(221,275)</u>	<u>(213,871)</u>	<u>(208,855)</u>
Net Changes in Fund Balances Before Extraordinary Item	86	(426,220)	(398,849)
Extraordinary Item - Insurance Proceeds	-	98,101	65,159
Net Changes in Fund Balances	86	(328,119)	(333,690)
Fund Balances - Beginning of Year	<u>334,974</u>	<u>334,974</u>	<u>334,974</u>
Fund Balances - End of Year	<u>\$ 335,060</u>	<u>\$ 6,855</u>	<u>\$ 1,284</u>

Other Supplemental Information

Quincy Community Schools
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Building and Site Fund	Total
<u>Assets</u>				
Cash and short-term investments	\$ 34,636	\$ 147,250	\$ 8,840	\$ 190,726
Taxes receivable	-	2,858	1,747	4,605
Accounts receivable	2,005	-	-	2,005
Due from other governmental units	3,632	-	-	3,632
Inventory	11,467	-	-	11,467
Total assets	<u>\$ 51,740</u>	<u>\$ 150,108</u>	<u>\$ 10,587</u>	<u>\$ 212,435</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 11,192	\$ -	\$ -	\$ 11,192
Due to other funds	29,180	-	248,049	277,229
Salaries payable	2,162	-	-	2,162
Accrued expenditures	1,498	-	-	1,498
Deferred revenue	3,394	-	-	3,394
Total liabilities	<u>47,426</u>	<u>-</u>	<u>248,049</u>	<u>296,475</u>
Fund Balances:				
Reserved for debt service	-	150,108	-	150,108
Reserved for construction	-	-	(237,462)	(237,462)
Unreserved undesignated	4,314	-	-	4,314
Total fund balances	<u>4,314</u>	<u>150,108</u>	<u>(237,462)</u>	<u>(83,040)</u>
Total liabilities and fund balances	<u>\$ 51,740</u>	<u>\$ 150,108</u>	<u>\$ 10,587</u>	<u>\$ 212,435</u>

Quincy Community Schools
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2008

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Building and Site Fund	Total
Revenues:				
Local sources	\$ 281,474	\$ 505,411	\$ 409,371	\$ 1,196,256
State sources	30,520	-	-	30,520
Federal sources	<u>197,486</u>	<u>-</u>	<u>-</u>	<u>197,486</u>
Total revenues	<u>509,480</u>	<u>505,411</u>	<u>409,371</u>	<u>1,424,262</u>
Expenditures:				
Athletic activities	317,893	-	-	317,893
Food service activities	475,272	-	-	475,272
Debt service	-	490,453	-	490,453
Capital outlay	-	-	120,142	120,142
Other	<u>-</u>	<u>-</u>	<u>134</u>	<u>134</u>
Total expenditures	<u>793,165</u>	<u>490,453</u>	<u>120,276</u>	<u>1,403,894</u>
Revenues Over (Under) Expenditures	<u>(283,685)</u>	<u>14,958</u>	<u>289,095</u>	<u>20,368</u>
Other Financing Sources (Uses)				
Operating transfers in	235,376	-	-	235,376
Operating transfers out	<u>(26,521)</u>	<u>-</u>	<u>-</u>	<u>(26,521)</u>
Total other financing sources (uses)	<u>208,855</u>	<u>-</u>	<u>-</u>	<u>208,855</u>
Net Changes in Fund Balances	(74,830)	14,958	289,095	229,223
Fund Balances - Beginning of Year	<u>79,144</u>	<u>135,150</u>	<u>(526,557)</u>	<u>(312,263)</u>
Fund Balances - End of Year	<u>\$ 4,314</u>	<u>\$ 150,108</u>	<u>\$ (237,462)</u>	<u>\$ (83,040)</u>

Quincy Community Schools
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2008

	Athletics Fund	Food Service Fund	Total
<u>Assets</u>			
Cash and short-term investments	\$ 2,834	\$ 31,802	\$ 34,636
Accounts receivable	125	1,880	2,005
Due from other governmental units	-	3,632	3,632
Inventory	-	11,467	11,467
Total assets	<u>\$ 2,959</u>	<u>\$ 48,781</u>	<u>\$ 51,740</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 201	\$ 10,991	\$ 11,192
Due to other funds	-	29,180	29,180
Deferred revenue	-	3,394	3,394
Salaries payable	1,803	359	2,162
Accrued expenditures	443	1,055	1,498
Total liabilities	<u>2,447</u>	<u>44,979</u>	<u>47,426</u>
Fund Balances:			
Unreserved/undesignated	512	3,802	4,314
Total fund balances	<u>512</u>	<u>3,802</u>	<u>4,314</u>
Total liabilities and fund balances	<u>\$ 2,959</u>	<u>\$ 48,781</u>	<u>\$ 51,740</u>

Quincy Community Schools
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2008

	Athletics Fund	Food Service Fund	Total
Revenues:			
Local sources:			
Earnings on investments & deposits	\$ 30	\$ 309	\$ 339
Food sales	-	199,970	199,970
Athletics	<u>81,165</u>	<u>-</u>	<u>81,165</u>
Total local sources	<u>81,195</u>	<u>200,279</u>	<u>281,474</u>
State sources:			
Restricted	<u>-</u>	<u>30,520</u>	<u>30,520</u>
Total State sources	<u>-</u>	<u>30,520</u>	<u>30,520</u>
Federal sources:			
Received through State	<u>-</u>	<u>197,486</u>	<u>197,486</u>
Total federal sources	<u>-</u>	<u>197,486</u>	<u>197,486</u>
Total revenues	<u>81,195</u>	<u>428,285</u>	<u>509,480</u>
Expenditures:			
Salaries	186,046	98,945	284,991
Employee benefits	40,028	39,580	79,608
Purchased services	47,094	65,116	112,210
Supplies and materials	44,725	196,336	241,061
Capital outlay	-	41,006	41,006
Other	<u>-</u>	<u>34,289</u>	<u>34,289</u>
Total expenditures	<u>317,893</u>	<u>475,272</u>	<u>793,165</u>
Revenues Over (Under) Expenditures	<u>(236,698)</u>	<u>(46,987)</u>	<u>(283,685)</u>
Other Financing Sources (Uses):			
Transfers in	235,376	-	235,376
Transfers out	<u>-</u>	<u>(26,521)</u>	<u>(26,521)</u>
Total other financing sources (uses)	<u>235,376</u>	<u>(26,521)</u>	<u>208,855</u>
Net Changes in Fund Balances	(1,322)	(73,508)	(74,830)
Fund Balances - Beginning of Year	<u>1,834</u>	<u>77,310</u>	<u>79,144</u>
Fund Balances - End of Year	<u>\$ 512</u>	<u>\$ 3,802</u>	<u>\$ 4,314</u>

Quincy Community Schools
 Combining Balance Sheet
 Nonmajor Debt Service Funds
 June 30, 2008

	2005		2000		Durant		Totals
	Refunding		Debt Fund		Debt Fund		
	Debt Fund						
<u>Assets</u>							
Cash and short-term investments	\$ 99,426	\$	47,824	\$	-	\$	147,250
Property taxes receivable	1,072		1,786		-		2,858
Total assets	<u>\$ 100,498</u>	<u>\$</u>	<u>49,610</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>150,108</u>
<u>Fund Balances</u>							
Fund Balances:							
Reserved	\$ 100,498	\$	49,610	\$	-	\$	150,108
Total fund balances	<u>100,498</u>		<u>49,610</u>		<u>-</u>		<u>150,108</u>
Total fund balances	<u>\$ 100,498</u>	<u>\$</u>	<u>49,610</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>150,108</u>

Quincy Community Schools
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Debt Service Funds
Year Ended June 30, 2008

	2005 Refunding Debt Fund	2000 Debt Fund	Durant Debt Fund	Total
Revenues:				
Local sources:				
Taxes	\$ 188,062	\$ 313,770	\$ -	\$ 501,832
Earnings on investments & deposits	1,246	2,333	-	3,579
Total local sources	<u>189,308</u>	<u>316,103</u>	<u>-</u>	<u>505,411</u>
 Total revenues	 <u>189,308</u>	 <u>316,103</u>	 <u>-</u>	 <u>505,411</u>
Expenditures:				
Redemption of principal	15,000	265,000	-	280,000
Interest on debt	167,725	42,000	-	209,725
Miscellaneous	366	362	-	728
Total expenditures	<u>183,091</u>	<u>307,362</u>	<u>-</u>	<u>490,453</u>
 Revenues Over (Under) Expenditures	 <u>6,217</u>	 <u>8,741</u>	 <u>-</u>	 <u>14,958</u>
 Net Changes in Fund Balances	 6,217	 8,741	 -	 14,958
 Fund Balances - Beginning of Year	 <u>94,281</u>	 <u>40,869</u>	 <u>-</u>	 <u>135,150</u>
 Fund Balances - End of Year	 <u>\$ 100,498</u>	 <u>\$ 49,610</u>	 <u>\$ -</u>	 <u>\$ 150,108</u>

Quincy Community Schools
Comparative Balance Sheets
General Fund
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<u>Assets</u>		
Cash and short-term investments	\$ 1,523,193	\$ 453,531
Property taxes receivable	12,496	-
Accounts receivable	79,799	-
Due from other funds	277,229	559,270
Due from other governmental units	1,968,697	2,230,475
Prepaid expenditures	<u>31,934</u>	<u>95,874</u>
 Total assets	 <u>\$ 3,893,348</u>	 <u>\$ 3,339,150</u>
 <u>Liabilities and Fund Balances</u>		
Liabilities:		
Accounts payable	\$ 54,449	\$ 52,490
State aid anticipation loan	2,700,000	1,800,000
Accrued expenditures	242,696	323,755
Salaries payable	809,404	771,207
Other liabilities	<u>85,515</u>	<u>56,725</u>
Total liabilities	<u>3,892,064</u>	<u>3,004,177</u>
 Fund Balances:		
Reserved for prepaid expenditures	-	95,874
Unreserved/undesignated	<u>1,284</u>	<u>239,099</u>
Total fund balances	<u>1,284</u>	<u>334,973</u>
 Total liabilities and fund balances	 <u>\$ 3,893,348</u>	 <u>\$ 3,339,150</u>

Quincy Community Schools
Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget to Actual
General Fund
Year Ended June 30, 2008
(With Comparative Amounts for the Prior Year)

	<u>2008</u>		<u>Variance -</u> <u>Favorable</u> <u>(Unfavorable)</u>	<u>Prior Year</u> <u>Actual</u>
	<u>Budget</u>	<u>Actual</u>		
Revenues:				
Local sources:				
Property tax	\$ 1,051,819	\$ 1,064,317	\$ 12,498	\$ 922,108
Regular tuition	1,435	1,535	100	270
Earnings on investments & deposits	33,023	33,283	260	32,505
Rentals	12,660	13,160	500	960
Miscellaneous	<u>129,339</u>	<u>181,844</u>	<u>52,505</u>	<u>198,712</u>
Total local sources	<u>1,228,276</u>	<u>1,294,139</u>	<u>65,863</u>	<u>1,154,555</u>
State sources:				
Unrestricted	9,053,702	9,052,805	(897)	9,226,621
Restricted	<u>283,628</u>	<u>275,835</u>	<u>(7,793)</u>	<u>288,278</u>
Total State sources	<u>9,337,330</u>	<u>9,328,640</u>	<u>(8,690)</u>	<u>9,514,899</u>
Federal sources:				
Received through State	<u>1,167,480</u>	<u>1,198,113</u>	<u>30,633</u>	<u>841,354</u>
Total federal sources	<u>1,167,480</u>	<u>1,198,113</u>	<u>30,633</u>	<u>841,354</u>
Interdistrict sources:				
Total revenues	<u>11,733,086</u>	<u>11,820,892</u>	<u>87,806</u>	<u>11,510,808</u>

Quincy Community Schools
Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget to Actual
General Fund
Year Ended June 30, 2008
(With Comparative Amounts for the Prior Year)

		2008		Variance -	Prior Year
		Budget	Actual	Favorable (Unfavorable)	Actual
Expenditures:					
Instruction:					
Basic programs:					
Elementary					
Salaries	\$	1,967,773	\$ 1,930,282	\$ 37,491	\$ 1,876,546
Employee benefits		806,134	790,351	15,783	825,811
Purchased services		62,874	66,412	(3,538)	64,204
Supplies and materials		138,332	138,650	(318)	171,494
Capital outlay		28,623	28,623	-	-
Other		780	835	(55)	2,259
Total elementary		<u>3,004,516</u>	<u>2,955,153</u>	<u>49,363</u>	<u>2,940,314</u>
Middle/Junior high					
Salaries		1,248,679	1,259,016	(10,337)	1,198,303
Employee benefits		513,366	513,234	132	577,814
Purchased services		24,589	25,854	(1,265)	36,301
Supplies and materials		74,808	74,856	(47)	79,088
Capital outlay		852	852	-	5,971
Other		822	822	-	708
Total middle/junior high		<u>1,863,116</u>	<u>1,874,633</u>	<u>(11,517)</u>	<u>1,898,185</u>
High school					
Salaries		1,525,438	1,543,152	(17,714)	1,522,298
Employee benefits		586,082	585,939	143	627,093
Purchased services		64,307	70,445	(6,138)	80,524
Supplies and materials		111,031	111,217	(186)	95,872
Capital outlay		1,787	1,787	-	2,008
Other		1,872	1,872	-	466
Total high school		<u>2,290,517</u>	<u>2,314,412</u>	<u>(23,895)</u>	<u>2,328,261</u>
Total basic programs		<u>7,158,149</u>	<u>7,144,198</u>	<u>13,951</u>	<u>7,166,760</u>
Added needs:					
Special education					
Salaries		217,181	217,925	(744)	213,896
Employee benefits		75,777	75,953	(176)	77,208
Supplies and materials		<u>1,350</u>	<u>1,350</u>	-	<u>2,528</u>
Total special education		<u>294,308</u>	<u>295,228</u>	<u>(920)</u>	<u>293,632</u>

Quincy Community Schools
Statement of Revenues, Expenditures and Changes
In Fund Balances - Budget to Actual
General Fund
Year Ended June 30, 2008
(With Comparative Amounts for the Prior Year)

	<u>2008</u>		<u>Variance -</u>	<u>Prior Year</u>
	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>	<u>Actual</u>
Instruction (Continued):				
Compensatory education				
Salaries	\$ 358,952	\$ 408,207	\$ (49,255)	\$ 322,631
Employee benefits	103,092	119,282	(16,190)	87,795
Purchased services	24,158	24,862	(704)	26,191
Supplies and materials	18,765	18,705	60	19,114
Capital outlay	<u>45,690</u>	<u>45,690</u>	<u>-</u>	<u>-</u>
Total compensatory education	<u>550,657</u>	<u>616,746</u>	<u>(66,089)</u>	<u>455,731</u>
 Total added needs	 <u>844,965</u>	 <u>911,974</u>	 <u>(67,009)</u>	 <u>749,363</u>
Total instruction	<u>8,003,114</u>	<u>8,056,172</u>	<u>(53,058)</u>	<u>7,916,123</u>
Support Services:				
Pupil:				
Guidance services				
Salaries	203,553	205,791	(2,238)	194,630
Employee benefits	77,902	78,280	(378)	80,023
Purchased services	10,783	10,783	-	12,755
Supplies and materials	2,823	2,823	-	4,697
Other	<u>1,464</u>	<u>1,464</u>	<u>-</u>	<u>167</u>
Total guidance services	<u>296,525</u>	<u>299,141</u>	<u>(2,616)</u>	<u>292,272</u>
 Health services				
Purchased services	16,273	17,193	(920)	15,356
Supplies	<u>460</u>	<u>460</u>	<u>-</u>	<u>537</u>
Total health services	<u>16,733</u>	<u>17,653</u>	<u>(920)</u>	<u>15,893</u>
 Social worker				
Salaries	56,508	56,508	-	55,129
Employee benefits	30,104	29,938	166	28,769
Purchased services	2,250	2,250	-	2,242
Supplies and materials	<u>391</u>	<u>391</u>	<u>-</u>	<u>177</u>
Total social worker	<u>89,253</u>	<u>89,087</u>	<u>166</u>	<u>86,317</u>
 Total pupil	 <u>402,511</u>	 <u>405,881</u>	 <u>(3,370)</u>	 <u>394,482</u>
Instructional staff:				
Improvement of instruction				
Salaries	189,117	192,176	(3,059)	202,862
Employee benefits	58,010	58,732	(722)	66,582
Purchased services	5,564	6,283	(719)	14,359
Supplies and materials	8,449	8,488	(39)	5,639
Capital outlay	10,028	10,028	-	-
Other	<u>102,219</u>	<u>101,867</u>	<u>352</u>	<u>219</u>
Total improvement of instruction	<u>373,387</u>	<u>377,574</u>	<u>(4,187)</u>	<u>289,661</u>

Quincy Community Schools
Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget to Actual
General Fund
Year Ended June 30, 2008
(With Comparative Amounts for the Prior Year)

	<u>2008</u>		<u>Variance -</u>	<u>Prior Year</u>
	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>	<u>Actual</u>
Support Services (Continued):				
Instructional staff (continued):				
Library				
Salaries	\$ 105,778	\$ 106,714	\$ (936)	\$ 152,756
Employee benefits	41,707	41,694	13	56,249
Purchased services	6,309	6,308	1	9,778
Supplies and materials	8,928	8,927	1	12,499
Capital outlay	-	-	-	399
Total library	<u>162,722</u>	<u>163,643</u>	<u>(921)</u>	<u>231,681</u>
Testing services				
Purchased services	1,906	5,122	(3,216)	480
Supplies	<u>8,370</u>	<u>8,370</u>	<u>-</u>	<u>994</u>
Total testing services	<u>10,276</u>	<u>13,492</u>	<u>(3,216)</u>	<u>1,474</u>
Supervision of instructional staff				
Salaries	60,592	60,651	(59)	41,446
Employee benefits	23,768	23,965	(197)	16,126
Purchased services	<u>35</u>	<u>35</u>	<u>-</u>	<u>179</u>
Total supervision of instructional staff	<u>84,395</u>	<u>84,651</u>	<u>(256)</u>	<u>57,751</u>
Total instructional staff	<u>630,780</u>	<u>639,360</u>	<u>(8,580)</u>	<u>580,567</u>
General administration:				
Board of education				
Salaries	1,820	1,820	-	2,565
Employee benefits	143	147	(4)	130
Purchased services	33,504	40,994	(7,490)	22,280
Supplies and materials	17	17	-	-
Other	<u>8,222</u>	<u>8,449</u>	<u>(227)</u>	<u>10,404</u>
Total board of education	<u>43,706</u>	<u>51,427</u>	<u>(7,721)</u>	<u>35,379</u>
Executive administration				
Salaries	148,678	148,678	-	145,708
Employee benefits	56,475	56,213	262	52,049
Purchased services	34,536	33,661	875	38,647
Supplies and materials	2,665	2,665	-	2,172
Other	<u>2,231</u>	<u>2,231</u>	<u>-</u>	<u>2,627</u>
Total executive administration	<u>244,585</u>	<u>243,448</u>	<u>1,137</u>	<u>241,203</u>
Total general administration	<u>288,291</u>	<u>294,875</u>	<u>(6,584)</u>	<u>276,582</u>

Quincy Community Schools
Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget to Actual
General Fund
Year Ended June 30, 2008
(With Comparative Amounts for the Prior Year)

	<u>2008</u>		<u>Variance - Favorable (Unfavorable)</u>	<u>Prior Year Actual</u>
	<u>Budget</u>	<u>Actual</u>		
Support Services (Continued):				
School administration:				
Office of the principal				
Salaries	\$ 539,914	\$ 540,694	\$ (780)	\$ 528,942
Employee benefits	178,621	177,501	1,120	187,895
Purchased services	10,306	10,306	-	8,216
Supplies and materials	7,053	7,046	7	7,927
Capital outlay	-	-	-	6,221
Other	<u>1,498</u>	<u>1,498</u>	<u>-</u>	<u>3,552</u>
Total office of the principal	<u>737,392</u>	<u>737,045</u>	<u>347</u>	<u>742,753</u>
Graduation expenses				
Supplies and materials	<u>2,564</u>	<u>2,539</u>	<u>25</u>	<u>2,531</u>
Total school administration	<u>739,956</u>	<u>739,584</u>	<u>372</u>	<u>745,284</u>
Business:				
Fiscal services				
Salaries	108,613	108,613	-	102,671
Employee benefits	38,554	38,145	409	39,073
Purchased services	6,815	6,794	21	10,922
Supplies and materials	585	585	-	-
Other	<u>1,738</u>	<u>1,738</u>	<u>-</u>	<u>4,323</u>
Total fiscal services	<u>156,305</u>	<u>155,875</u>	<u>430</u>	<u>156,989</u>
Other business services				
Supplies and materials	22,762	22,762	-	23,940
Other	<u>121,245</u>	<u>119,760</u>	<u>1,485</u>	<u>70,985</u>
Total other business services	<u>144,007</u>	<u>142,522</u>	<u>1,485</u>	<u>94,925</u>
Total business	<u>300,312</u>	<u>298,397</u>	<u>1,915</u>	<u>251,914</u>
Operation & maintenance of plant				
Salaries	369,693	369,826	(133)	346,789
Employee benefits	200,451	200,399	52	193,921
Purchased services	125,835	127,279	(1,444)	204,351
Supplies and materials	288,366	287,792	574	318,831
Capital outlay	6,632	6,632	-	32,795
Other	<u>7,597</u>	<u>7,596</u>	<u>1</u>	<u>4,900</u>
Total operation & maintenance of plant	<u>998,574</u>	<u>999,524</u>	<u>(950)</u>	<u>1,101,587</u>

Quincy Community Schools
Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget to Actual
General Fund
Year Ended June 30, 2008
(With Comparative Amounts for the Prior Year)

	<u>2008</u>		<u>Variance -</u>	<u>Prior Year</u>
	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>	<u>Actual</u>
Support Services (Continued):				
Pupil transportation services:				
Salaries	\$ 268,036	\$ 267,916	\$ 120	\$ 281,703
Employee benefits	127,432	126,110	1,322	122,552
Purchased services	23,009	23,062	(53)	21,901
Supplies and materials	127,576	123,104	4,472	106,161
Capital outlay	1,629	1,628	1	93,771
Total pupil transportation services	547,682	541,820	5,862	626,088
Central services:				
Purchased services	2,130	2,130	-	6,841
Supplies	6,189	6,188	1	5,067
Capital outlay	-	-	-	139,629
Total technology	8,319	8,318	1	151,537
Total support services	3,916,425	3,927,759	(11,334)	4,128,041
Community Services:				
Purchased services	450	450	-	-
Supplies and materials	25,446	26,505	(1,059)	22,431
Total community services	25,896	26,955	(1,059)	22,431
Other Transactions:				
Coldwater SE	-	-	-	82,099
Total other transactions	-	-	-	82,099
Total expenditures	11,945,435	12,010,886	(65,451)	12,148,694
Revenues Over (Under) Expenditures	<u>(212,349)</u>	<u>(189,994)</u>	<u>22,355</u>	<u>(637,886)</u>
Other Financing Sources (Uses):				
Transfers in	20,000	26,521	6,521	-
Transfers out	(233,871)	(235,376)	(1,505)	(214,190)
Total other financing sources (uses)	(213,871)	(208,855)	5,016	(214,190)
Net Changes in Fund Balances Before Extraordinary Item	<u>(426,220)</u>	<u>(398,849)</u>	<u>27,371</u>	<u>(852,076)</u>
Extraordinary Item - Insurance Proceeds	<u>98,101</u>	<u>65,159</u>	<u>(32,942)</u>	<u>-</u>
Net Changes in Fund Balances	<u>(328,119)</u>	<u>(333,690)</u>	<u>5,571</u>	<u>(852,076)</u>
Fund Balances - Beginning of Year	<u>334,974</u>	<u>334,974</u>	<u>-</u>	<u>1,187,049</u>
Fund Balances - End of Year	<u>\$ 6,855</u>	<u>\$ 1,284</u>	<u>\$ 5,571</u>	<u>\$ 334,974</u>

Quincy Community Schools
Schedule of Bonded Indebtedness
June 30, 2008

	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Fiscal Year Interest Requirements</u>	<u>Amount of Annual Maturity</u>	<u>Bonds Outstanding June 30, 2008</u>
2000 Building & Site Bonds	October 25, 2000	\$ 5,765,000	5.000%	5/1/2009	\$ 28,750	\$ 280,000	\$ 280,000
			5.000%	5/1/2010	14,750	295,000	295,000
							<u>\$ 575,000</u>

	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Fiscal Year Interest Requirements</u>	<u>Amount of Annual Maturity</u>	<u>Bonds Outstanding June 30, 2008</u>
Durant Bonds	September 14, 1998	\$ 59,320	4.70%	5/15/2009	\$ 1,158	\$ 3,007	\$ 3,007
			4.70%	5/15/2010	1,014	3,151	3,151
			4.70%	5/15/2011	2,113	10,383	10,383
			4.70%	5/15/2012	370	3,795	3,795
			4.70%	5/15/2013	189	3,976	3,976
							<u>\$ 24,312</u>

Quincy Community Schools
Schedule of Bonded Indebtedness
June 30, 2008

2005 Refunding Bonds	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	Fiscal Year Interest Requirements	Amount of Annual Maturity	Bonds Outstanding June 30, 2008
	June 15, 2005	\$ 3,900,000	3.250%	5/1/2009	\$ 167,238	\$ 15,000	\$ 15,000
			3.500%	5/1/2010	166,712	15,000	15,000
			3.500%	5/1/2011	166,188	325,000	325,000
			4.000%	5/1/2012	153,188	340,000	340,000
			4.000%	5/1/2013	139,588	355,000	355,000
			5.000%	5/1/2014	121,838	370,000	370,000
			5.000%	5/1/2015	103,338	390,000	390,000
			5.000%	5/1/2016	83,838	405,000	405,000
			4.000%	5/1/2017	67,638	405,000	405,000
			4.250%	5/1/2018	50,426	410,000	410,000
			4.250%	5/1/2019	33,000	410,000	410,000
			4.000%	5/1/2020	16,600	415,000	415,000
						<u>\$ 3,855,000</u>	



September 24, 2008

Board of Education
Quincy Community Schools
Quincy, Michigan

We have audited the financial statements of Quincy Community Schools for the year ended June 30, 2008, and have issued our report thereon dated September 24, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement proposal, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance, and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of the District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and no other applications of existing policies were changed during the current year. We noted no transactions entered into by the District during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was

- An asset appraisal was done for the prior year ended June 30, 2004, which was used to establish the bulk of your fixed asset balances to be recorded in the Statement of Net Assets.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the District's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the District, either individually or in the aggregate, indicate matters that could have a significant effect on the District's financial reporting process. Management has approved all adjustments.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Board of Education and management of the District and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Willis & Jurasek, P.C.

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